

Message Text

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ACTION NEA-10

INFO OCT-01 SAA-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
ICA-11 EB-08 COME-00 TRSE-00 OMB-01 SES-02 FRB-03
AID-05 SSM-03 /087 W
-----046218 121848Z /62
R 111338Z AUG 78
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 4830

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E.O. 11652: N/A
TAGS: EFIN, IS
SUBJECT: GO FY 1978 SUPPLEMENTARY BUDGET

REF: TEL AVIV 9417

1. A SUPPLEMENTAL GOVERNMENT BUDGET INCREASING EXPENDITURES BY IL 28 BILLION WAS SUBMITTED BY THE CABINET TO THE KNESSET BEFORE ADJOURNMENT LAST WEEK. THE TOTAL REVISED BUDGET TOTALS IL 206 BILLION. A DETAILED BREAK-DOWN OF EXPENDITURES AND REVENUE IS BEING SENT BY SEPARATE AIRGRAM.

2. THE SUPPLEMENTAL BUDGET PASSED THE FIRST READING IN THE KNESSET AND

NOW CAN BE WORKED ON BY THE KNESSET FINANCE COMMITTEE DURING THE PRESENT RECESS WHICH WILL LAST UNTIL THE END OF OCTOBER. THE KNESSET CAN BE CALLED BACK INTO SESSION TO APPRIVE THE SUPPLEMENTARY BUDGET, BUT THIS IS UNLIKELY. THERE IS NO FEELING OF URGENCY AMONG MINISTRY OF FINANCE OFFICIALS TO HAVE THE BUDGET APPROVED.

3. THE FINANCE COMMITTEE IS LIKELY TO SHOP OFF IL 3 BILLION

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AS AGREED UPON WHEN MINISTER OF INDUSTRY AND TRADE, HURWITZ THREATENED TO RESIGN (REFTEL). ON THE REVENUE SIDE, BANK OF ISRAEL ADVANCES ARE PROJECTED TO DOUBLT FROM IL 6 BILLION TO IL 12.5 BILLION. FOREIGN LOANS AND GRANTS MEASURED IN ISRAELI POUNDS ACCOUNT FOR A THIRD OF THE REVENUE SOURCES IN THE USPPLEMENTARY BUDGET. THE INCREASE RESULTS FROM THE ESTIMATED RATE

OF EXCHANGE RISING FROM 16.5 TO 19 IL TO THE DOLLAR.
HIGHER TAX REVENUE IS SLATED TO PROVIDE AN ADDITIONAL
28 PERCENT.

4. IF THE KNESSET REDUCES THE BUDGET BY IL 3 BILLION,
THE LIQUIDITY INJECTION WILL BE NO MORE IN NOMINAL TERMS
THAN LAST YEAR AND MUCH LESS IN REAL TERMS. THIS
ASSUMES, OF COURSE, THAT OTHER REVENUE PROJECTIONS
HOLD.
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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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